

HOUSE BILL REPORT

SSB 5723

As Reported by House Committee On:
Community & Economic Development & Trade

Title: An act relating to providing support for small business assistance.

Brief Description: Providing support for small business assistance.

Sponsors: Senate Committee on Economic Development, Trade & Innovation (originally sponsored by Senators Kastama, Shin and Swecker).

Brief History:

Committee Activity:

Community & Economic Development & Trade: 3/23/09, 3/26/09 [DPA].

**Brief Summary of Substitute Bill
(As Amended by House)**

- Requires the Washington Small Business Development Center (SBDC) to integrate and coordinate its services with state and local economic and workforce development organizations, target small businesses as defined, tailor services to local needs and demographics, establish or expand offices when financially feasible, and submit a progress report on December 1, 2009.
- Authorizes the SBDC satellite offices to accept private and public contributions.
- Adds a bank's contributions to local or statewide business assistance organizations as a 12th factor for regulators to consider when assessing whether the bank is meeting community credit needs.

HOUSE COMMITTEE ON COMMUNITY & ECONOMIC DEVELOPMENT & TRADE

Majority Report: Do pass as amended. Signed by 9 members: Representatives Kenney, Chair; Maxwell, Vice Chair; Smith, Ranking Minority Member; Chase, Liias, Orcutt, Parker, Probst and Sullivan.

Staff: Meg Van Schoorl (786-7105)

This analysis was prepared by non-partisan legislative staff for the use of legislative members in their deliberations. This analysis is not a part of the legislation nor does it constitute a statement of legislative intent.

Background:

Washington Small Business Development Centers.

The Washington Small Business Development Center (SBDC) at Washington State University (WSU) has the statutory purpose of providing management and technical assistance, such as training, counseling, and research, to small businesses. The SBDC is a cooperative effort of WSU, other educational institutions, economic development organizations, and the U.S. Small Business Administration. The SBDC has business adviser centers at 23 locations. Thirteen are operated directly by WSU and 10 are operated under contract with WSU. Some are located at community colleges and some are co-located with economic development councils and other community-based locations. The SBDCs are supported by both federal and state funds.

Federal Community Reinvestment Act and the Washington Community Credit Needs Act.

The federal Community Reinvestment Act of 1977 (CRA) was enacted to encourage banks and thrifts to help meet the credit needs of all segments of their communities, including low-income and moderate-income neighborhoods. The CRA requires a periodic evaluation of the record of each bank and thrift in helping meet these credit needs. The evaluation is taken into account in considering an institution's applications for charters or for approval of bank mergers, acquisitions, and branch openings. The CRA examinations are conducted by the federal agencies that are responsible for regulating the various banks and thrifts.

In 1985 the Legislature adopted the Community Credit Needs Act (Act). The Act is similar to the CRA. The Legislature stated that banks "have a responsibility to meet the credit needs of the businesses and communities of Washington, consistent with safe and sound business practices and the free exercise of management discretion." The Director of the Department of Financial Institutions (Director) is required to investigate whether a bank is satisfactorily meeting the credit needs of its community. The Director must accept any CRA report or document that a bank must file with a federal agency in lieu of an investigation. In assessing a bank's performance, 11 statutory factors must be considered. The examination report summarizes the assessment results and assigns a community reinvestment rating from "one" to "five" where "one" is excellent and "five" is poor performance. A bank's community reinvestment performance must be taken into account before approving any application for a new branch; an acquisition, merger, conversion, or purchase of assets of another institution that is not required for solvency reasons; or the exercise of any new power.

Summary of Amended Bill:

The SBDC must work with the Department of Community, Trade and Economic Development, the State Board for Community and Technical Colleges, the Higher Education Coordinating Board, the Workforce Training and Education Coordinating Board, the Employment Security Department, the Washington State Economic Development Commission, associate development organizations, and workforce development councils to: integrate and coordinate the SBDCs with other state economic and workforce development

programs; target the SBDC services to in-state small businesses; tailor each center's outreach and services to local needs and demographics; and establish or expand satellite offices when financially feasible. The SBDC satellite offices are authorized to solicit and accept contributions from public and private sources, including banks. Cash and in-kind contributions by state-chartered commercial banks to local or statewide business assistance organizations are added to the 11 factors that must be considered in determining if a bank is meeting the credit needs of its community. The SBDC must submit a progress report to appropriate legislative committees by December 1, 2009, regarding progress meeting the directives in the act and any new resources received as a result of the new fundraising authority for the SBDC satellite offices. "In-state small business" is defined as a business with its principal office and officers in Washington that has 50 or fewer employees or \$7 million or less in gross annual revenue.

Amended Bill Compared to Original Bill:

Local associate development organizations and workforce development councils are added to the list of agencies with which the SBDC is to work. The SBDCs are to target services to in-state small businesses, as defined in the bill, and tailor them to local needs and demographics. The WSU Board of Regents is not authorized to develop satellite offices as the SBDC administrator deems appropriate, but when financially feasible. A Business Assistance Account is not created in the State Treasurer's custody for use by the WSU-SBDC to support satellite offices, expand assistance, and develop new programs. However, the SBDC satellite offices may solicit and accept private and public contributions directly. The SBDC must submit a progress report. Bank contributions to local or statewide business assistance organizations, not only to SBDCs, are to be considered when assessing if a bank is meeting community credit needs.

Appropriation: None.

Fiscal Note: Available.

Effective Date of Amended Bill: The bill takes effect 90 days after adjournment of the session in which the bill is passed.

Staff Summary of Public Testimony:

(In support) This bill is designed to make the SBDC system more effective, provide a mechanism for banks to contribute to the SBDC system, and add these contributions as a factor to consider when assessing banks under the CRA. The SBDCs cover most of the state. Small business is where we will see the economic recovery begin, and the SBDCs work to reduce the high failure rate of small businesses. Banks often send firms to the SBDCs when they need business counseling to help them become prepared to seek bank loans. The SBDC in Renton does not receive any federal or state assistance, so creation of a mechanism through which they can receive private sector funding is critical. Half of the caseload in Renton is for women- and minority-owned businesses. There are 23 of the SBDCs, 13

operated by WSU and 10 operated through contracts with WSU. Often they are located in a community college or co-located with an economic development council.

(Opposed) None.

Persons Testifying: Senator Kastama, prime sponsor; Bill Lotto, Small Business Development Center State Advisory Board; Doug Levy, City of Renton; and Larry Ganders, Washington State University.

Persons Signed In To Testify But Not Testifying: None.